

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

ZYNGA, INC.,

Case No. 11-CV-02959-EJD

Plaintiff /
Counter-defendant,

v.

**OPINION RE ORDER DISSOLVING
TEMPORARY RESTRAINING ORDER
AND DENYING PRELIMINARY
INJUNCTION**

VOSTU USA, INC., VOSTU LLC,
VOSTU, LTD.,

[Re: ECF Nos. 22, 60, 80]

Defendants /
Counter-claimants.

This matter came before the Court on August 23, 2011, upon an order to show cause why Vostu's requested preliminary injunction should not be entered. For the reasons set forth below, the previously-issued temporary restraining order is dissolved, the order to show cause is discharged, and no preliminary injunction will issue.

I. BACKGROUND

Zynga and Vostu¹ make and host games that people play with their friends on social platforms like Facebook. Zynga filed the instant action (the "U.S. action") on June 16, 2011, claiming that five of Vostu's games infringe U.S. copyrights that Zynga holds in five of its own

¹ This Order refers to the named defendants collectively as "Vostu." Vostu, Ltd. is the parent company of Vostu USA, Inc. and Vostu LLC, its U.S. subsidiaries. The Complaint also names Vostu, LLC (with a comma) as a defendant, but that entity has not been served and has transferred all of its assets to either Vostu, Ltd. (according to Kafie Decl. ¶ 3, ECF No. 27) or to Vostu LLC (no comma) (according to the Mem. P. & A. ISO Ex Parte App. for TRO, ECF No. 23). Any distinction between Vostu LLC and Vostu, LLC is not important for the purposes of this Order, so the entities will be treated as one and the same.

Vostu, Ltd. is also the parent company of Brazil-based Vostu Participações do Brasil Ltda ("Vostu Brazil"), which is not a party to this case.

1 games. Vostu raises a number of affirmative defenses, and it counterclaims for declaratory judgment
2 of noninfringement.

3 On August 2, Zynga initiated a separate lawsuit in Brazil (the “Brazilian action”) based on
4 two causes of action: copyright infringement under Brazilian law, and *concorrência desleal*, a
5 Brazilian species of unfair competition. (Luedtke Decl. Ex. J, Aug. 8, 2011, ECF No. 24.) The
6 Brazilian Action involves four of the five games at issue in this case, and names two of the three
7 defendants which are before this Court.² On August 3, without notice to Vostu, Zynga sought and
8 obtained a preliminary injunction from the Brazilian court (the “Brazilian injunction”) ordering the
9 defendants in that action “to cease the use, exhibition, edition, reproduction, distribution, sale, offer
10 for sale, vehicleing or making available” of the four games within 48 hours. (Luedtke Decl. Ex. L.)
11 The injunction included no provision limiting its geographical scope. Upon learning of the
12 injunction, Vostu Brazil asked the Brazilian court to reconsider its decision. The court declined, but
13 did extend the deadline for Vostu to comply with the order until August 12. (Luedtke Decl. Ex. N.)

14 On August 8, four days before the Brazilian injunction went into effect, Vostu filed an ex
15 parte application for a temporary restraining order with this Court. (Defs.’ Ex Parte Mot. TRO, ECF
16 No. 22.) The application requested that Zynga be barred from enforcing the Brazilian injunction, and
17 that Zynga be required to stay the litigation it initiated in Brazil until the instant action is resolved.
18 The Court solicited and received briefing from Zynga. (Order Setting Deadline for Pls. to Respond,
19 Aug. 8, 2011, ECF No. 28; Pl.’s Opp. TRO, Aug. 10, 2011, ECF No. 29.)

20 On August 11, upon review of the parties’ written filings, this Court found that the parties
21 had raised serious questions as to the propriety of an anti-suit injunction and granted Vostu’s
22 application in part. (Order Granting in Part Mot. TRO, ECF No. 60.) The TRO that issued was more
23 limited in scope than the one Vostu had requested: while Zynga was enjoined from enforcing the
24 Brazilian injunction, it was free to continue pursuing the Brazilian action. (*Id.*) Concurrent with the
25 TRO, the Court issued an Order to Show Cause why Vostu’s original proposed preliminary
26 injunction should not issue. (*Id.*) The Court invited additional briefing on the issues specific to anti-
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28 ² The Brazilian action names four defendants: Vostu, Ltd., Vostu USA, Inc., Vostu Brazil,
and Google’s Brazilian subsidiary.

1 suit injunctions, and heard argument on the matter on August 23. At the August 23 hearing, the TRO
2 was extended to August 26. (Min. Entry, ECF No. 81.)

3 All the while, Vostu pursued an appeal of the injunction in Brazil. On August 15, an appeals
4 court in São Paulo stayed the Brazilian injunction pending resolution of Vostu's interlocutory
5 appeal. At the preliminary injunction hearing before this Court, the parties agreed that the
6 interlocutory appellate review will likely take "months" to resolve. (Tr. of Proceedings Held on Aug.
7 23, 2011 at 20:13–19, 33:12–19, ECF No. 82).

8 9 II. LEGAL STANDARDS

10 To obtain preliminary injunctive relief, a party ordinarily must demonstrate (1) that she is
11 likely to succeed on the merits, (2) that she is likely to suffer irreparable harm in the absence of
12 preliminary relief, (3) that the balance of equities tips in her favor, and (4) that an injunction is in the
13 public interest. Winter v. Natural Resources Defense Council, Inc., 555 U.S. 7, 20 (2008). The Ninth
14 Circuit has developed a corollary to this test: a preliminary injunction may be appropriate if there are
15 "serious questions going to the merits" and the balance of the hardships tips sharply in the
16 applicant's favor, so long as the applicant also shows, as Winter requires, that the injunction is in the
17 public interest and that irreparable injury is likely. Alliance for the Wild Rockies v. Cottrell, 622
18 F.3d 1045, 1052 (9th Cir. 2010). This approach allows for preservation of the status quo where
19 complex legal questions require further inspection or deliberation.

20 Where the injunction sought would prevent a party from litigating similar claims in a foreign
21 court, the standard is different. To obtain an anti-suit injunction, the applicant is not required to
22 show a likelihood of success on the merits of the underlying claim. Rather, it need only demonstrate
23 that the factors specific to an anti-suit injunction weigh in its favor. E. & J. Gallo Winery v. Andina
24 Licores S.A., 446 F.3d 984, 991 (9th Cir. 2006). Those factors are: (1) whether or not the parties and
25 the issues are the same, and whether or not the first action is dispositive of the action to be enjoined;
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(2) whether the foreign litigation would frustrate a policy of the forum issuing the injunction;³ and
 (3) whether the impact on comity would be tolerable. Applied Med. Distribution v. Surgical Co. BV,
 587 F.3d 909, 913 (9th Cir. 2009) (citing Gallo, 446 F.3d at 991, 994).⁴

III. ANALYSIS

The August 11 TRO issued on the basis of “serious questions” as to whether an anti-suit injunction is warranted in this case. The parties briefed the issue further, and this Order considers and resolves those serious questions against the issuance of a preliminary injunction.

A. Effect of the U.S. Action on the Brazil Action

“Whether or not the parties and the issues are the same, and whether or not the first action is dispositive of the action to be enjoined” is a threshold question in the anti-suit injunction analysis. Applied Medical Distribution, 587 F.3d at 918; Gallo, 446 F.3d at 991.

1. Whether the Parties are the Same in the U.S. and Brazil Actions

Perfect identity of parties is not required for an anti-suit injunction. Rather, it suffices that the parties be affiliated in such a way that their interests coincide. See, e.g., Int’l Equity Invs., Inc. v. Opportunity Equity Partners Ltd., 441 F. Supp. 2d 552, 562 (S.D.N.Y. 2006).

³ The Gallo court indicated that a showing of the second factor could be replaced by any of the other three rationales anticipated by In re Unterweser Reederei GmbH, 429 F.2d 888, 896 (5th Cir. 1970), aff’d on reh’g en banc, 446 F.2d 907 (1971). 446 F.3d at 990, 991. That is, a showing that the foreign litigation frustrates a policy of the forum issuing the injunction could be replaced by a showing that the foreign litigation would be vexatious or oppressive, would threaten the issuing court’s *in rem* or *quasi in rem* jurisdiction, or where the proceedings prejudice other equitable considerations. Id. (citing Seattle Totems Hockey Club, Inc. v. NHL, 652 F.2d 852, 855 (9th Cir. 1981)).

⁴ It is arguably unclear from the Ninth Circuit case law whether the three anti-suit injunction factors replace all four Winter preliminary injunction factors, or whether they replace only the requirement that the movant show a likelihood of success on the merits of the underlying claim. See Gallo, 446 F.3d at 991 (“[Movant] need not meet the usual test of a likelihood of success on the merits of the underlying claim to obtain an anti-suit injunction . . . Rather, [movant] need only demonstrate that the factors specific to an anti-suit injunction weigh in favor of granting the injunction.”). Under a literal reading of Gallo, a showing of irreparable harm, balance of equities, and public interest might still be required to obtain an anti-suit injunction. But the absence of any mention of the Winter factors by the Applied Medical Distribution court suggests otherwise. The Third Circuit expressly supports the replacement of all four Winter factors. See Stonington Partners, Inc. v. Lernout & Hauspie Speech Products N.V., 310 F.3d 118, 128–29 (3d Cir. 2002). Since in this case the three anti-suit injunction requirements are not met, resolving the ambiguity is unnecessary.

The table below summarizes the parties in the two pending actions.

	U.S. Action	Brazil Action
Zynga, Inc.	Plaintiff	Plaintiff
Vostu, Ltd.	Defendant	Defendant
Vostu USA, Inc.	Defendant	Defendant
Vostu LLC	Defendant	—
Vostu Brazil	—	Defendant
Google Brazil	—	Defendant

The interests of the defendants in the two actions substantially coincide. As a practical matter, the absence of Vostu LLC from the Brazil action will have no effect on whether the U.S. action might dispose of the Brazilian one. Vostu LLC does not appear to conduct any business or own any assets, and the complaint does not allege any facts against Vostu LLC specifically. (See Kafie Decl. ¶ 3, Aug. 8, 2011, ECF No. 27.)

Likewise, the presence of the Brazilian affiliates of Vostu and Google does not defeat “sameness.” Vostu Brazil is held in trust for Vostu, Ltd. by Vostu, Ltd.’s CEO, Daniel Kafie. (Kafie Decl. ¶ 4.) Google’s Brazilian affiliate is only named in the Brazil action to comply with Brazilian procedural law. (Luedtke Decl. Ex. J ¶ 22.) The Brazilian complaint specifically exempts Google Brazil from its prayer for damages; the only relief sought against Google Brazil is an injunction ordering the takedown of Vostu’s games. (Id. ¶ 79.)

Accordingly, in the temporary restraining order, this Court held that the parties in the Brazil and U.S. actions are sufficiently “the same” to issue an anti-suit injunction. The TRO invited further factual showings to rebut the conclusion made in the TRO, but none were made. The holding therefore stands.

2. Whether the Issues are the Same in the U.S. and Brazil Actions

Anti-suit injunctions are only appropriate when the domestic action is capable of disposing all of the issues in the foreign action. Applied Medical Distribution, 587 F.3d at 915. When the parties in the two actions are the same, the two questions of whether “the issues are the same” and whether “the domestic action is dispositive of the foreign action” collapse into one. Id.

Vostu argues that the purportedly copyrighted works and the alleged acts of copying are the same in both actions, and that Brazilian and American copyright law are essentially the same in all relevant respects. Vostu points to a recent Ninth Circuit case which holds that the issues need not be “identical,” but only “functionally the same.” *Id.* at 915–16.

Zynga responds that because copyright law is not extraterritorial, the U.S. action (which pleads only U.S. law) is incapable of resolving infringement under foreign law. Intellectual property rights, it contends, can be pursued in parallel because they are grants from separate sovereign states rather than rights created by the parties themselves, for example by contract. Zynga argues in the alternative—even if copyright actions are not different per se between countries—that Brazil and U.S. copyright laws are sufficiently different that resolving a U.S. copyright infringement claim would not necessarily dispose of a related Brazilian copyright claim.

Vostu does not cite—and this Court has not found—any decision of a U.S. district court enjoining a party from pursuing copyright litigation abroad. Rather, federal courts around the country have considered anti-suit injunctions of parallel proceedings in a variety intellectual property contexts and have uniformly concluded that such injunctions are improper. “Unlike most cases upholding the use of antisuit injunctions, the dispute at bar does not arise from a contract and thus raise the specter of inconsistent interpretations of the same document. . . . Intellectual property issues, in contrast, involve separate and independent rights arising from the unique laws of each nation.” *Black & Decker Corp. v. Sanyei America Corp.*, 650 F. Supp. 406, 409 (N.D. Ill. 1986) (copyright and trademark); *accord Microsoft Corp. v. Lindows.com, Inc.*, 319 F. Supp. 2d 1219, 1222 (W.D. Wash. 2004) (trademark); *Computer Assocs. Int’l, Inc. v. Altai, Inc.*, 950 F. Supp. 48, 54 (E.D.N.Y. 1996) (copyright), *aff’d*, 126 F.3d 365 (2d Cir. 1997).

Vostu attempts to distinguish the raft of cases denying anti-suit injunctions by making a showing that the copyright laws of Brazil and the United States are essentially the same with respect to the issues involved in this case.⁵ Zynga engages with this argument, and the parties have undertaken a lengthy comparative analysis—complete with expert declarations—of the two

⁵ The potential viability of such an approach was suggested in *Zimnicki v. Neo-Neon International, Ltd.*, 2009 WL 2392065 at *3 (N.D. Ill. July 30, 2009).

1 countries' regimes.

2 But the same reasoning that led the Black & Decker and Microsoft courts to deny anti-suit
3 injunctions applies here. Copyright law, like trademark law, is not extraterritorial. See Subafilms,
4 Ltd. v. MGM-Pathe Communications Co., 24 F.3d 1088, 1094 (9th Cir. 1994) (en banc). The
5 Applied Medical Distribution standard that the issues need only be “functionally the same” still
6 requires that the foreign claims must be able to “be litigated and resolved” in the domestic forum.
7 587 F.3d at 914. Subafilms explicitly disapproved the notion of applying foreign copyright law in
8 U.S. courts. See 24 F.3d at 1095 & n.10.

9 Moreover, the U.S. action has no hope of disposing of any claims arising under the Brazilian
10 *concorrência desleal* (unfair competition) law. Enjoining Zynga from pursuing the Brazilian action
11 would deprive Zynga of the rights it has under that law and would interfere with the Brazilian public
12 policy that law protects.

13 In the context of an anti-suit injunction, this Court finds that a U.S. copyright claim is not the
14 “same” as a copyright claim arising under foreign law. As a result, the issue of whether Brazilian
15 copyright law in particular is similar to U.S. law need not be addressed. Since the anti-suit
16 injunction threshold requirement that the instant claims dispose of the foreign claims is not met, the
17 remaining two factors—frustration of a policy of this forum and the impact on comity—need not be
18 reached either.

19 B. Other Injunction Factors

20 On Vostu's application for the temporary restraining order, the Court found that 1) the
21 parties had raised serious questions as to the Applied Medical Distribution anti-suit injunction
22 factors, 2) Vostu faced immediate and irreparable harm, 3) the balance of hardships tipped sharply in
23 Vostu's favor, and 4) that the public interest did not weigh heavily in either party's favor.

24 As noted above at note 4, the extent to which the traditional injunction factors apply in the
25 context of anti-suit injunctions is unclear under the current case law. Because Vostu cannot meet the
26 requirements specific to an anti-suit injunction, the request for a preliminary injunction would be
27 denied whether or not the other Winter factors must also be satisfied. Even so, the Court notes a few
28 changes in the circumstances that led to the granting of the TRO.

1 Because the Brazilian injunction is now stayed pending appeal, and because that appeal is
2 expected to take a few months, the harm that Vostu faces is less immediate. Additionally, the
3 balance of hardships no longer tips quite so sharply in Vostu's favor. At the time the TRO issued,
4 Vostu faced an injunction which Zynga had obtained ex parte without any opportunity for Vostu to
5 respond. Now, Vostu is actively involved with the Brazilian litigation: it is represented by Brazilian
6 counsel and has obtained the stay of that injunction pending appeal. Finally, the hardship to Zynga
7 created by a preliminary injunction is substantially greater than that generated by a TRO because of
8 the preliminary injunction's longer and less definite term.

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10 **IV. ORDER**

11 An anti-suit injunction is not warranted in this case. Accordingly, on August 26, the
12 previously-issued temporary restraining order was dissolved, the accompanying order to show cause
13 was discharged, and Vostu's application for a preliminary injunction was denied. (Order, ECF No.
14 85.) The foregoing opinion is incorporated as the basis for that order, which is reaffirmed. The clerk
15 is directed to terminate Zynga's Motion for Leave to File Reply Brief (ECF No. 80, Aug. 22, 2011)
16 as moot.

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18 **IT IS SO ORDERED.**

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20 Dated: September 16, 2011


EDWARD J. DAVILA
United States District Judge